

<sup>21</sup> I.R.C. § 108(b)(4)(B).

<sup>22</sup> I.R.C. § 30.

<sup>23</sup> I.R.C. § 108(b)(2)(B).

<sup>24</sup> I.R.C. § 108(b)(2)(C).

<sup>25</sup> I.R.C. § § 108(b)(2)(E), 1017. There is no reduction of basis of exempt property. I.R.C. § 1017(c)(1).

<sup>26</sup> I.R.C. § 108(b)(2)(F).

<sup>27</sup> I.R.C. § 108(b)(2)(G).

<sup>28</sup> I.R.C. § 108(b)(5).

<sup>29</sup> See I.R.C. § 1017(b)(2).

<sup>30</sup> I.R.C. § 108(a)(3).

<sup>31</sup> Ltr. Rul. 9932013, May 4, 1999. See *Carlson v. Comm'r*, 116 T.C. 87 (2001).

<sup>32</sup> I.R.C. § 108(c).

<sup>33</sup> I.R.C. § 108(c)(3).

## CASES, REGULATIONS AND STATUTES

by Robert P. Achenbach, Jr

### BANKRUPTCY

#### CHAPTER 12

**DISCHARGE INJUNCTION.** The debtors, husband and wife, had originally filed under Chapter 7 and the claims included five bank loans secured by the debtor's residence. The debtors received a discharge but later moved to convert the case to Chapter 12. The bank agreed to a restructuring of the mortgages which included an assignment of milk sales proceeds to the bank. Although early payments were sufficient, payments later in the year fell short of the agreed amount and the agreement was terminated by the debtors. The bank then began foreclosure proceedings against the residence and the debtors filed a contempt motion alleging that the foreclosure violated the discharge injunction and that the milk proceeds paid to that date were involuntary payments. Under Section 524(j), a creditor is exempt from the discharge injunction if "(1) such creditor retains a security interest in real property that is the principal residence of the debtor; (2) such act is in the ordinary course of business between the creditor and the debtor; and (3) such act is limited to seeking or obtaining periodic payments associated with a valid security interest in lieu of pursuit of in rem relief to enforce the lien." The court held that the bank was allowed under Section 524(j) to seek foreclosure because the milk proceeds agreement met all three conditions. *In re Teal*, 2015 U.S. Dist. LEXIS 32315 (E.D. Tenn. 2015).

### FEDERAL FARM PROGRAMS

**CROP INSURANCE.** The FCIC has issued proposed regulations which revise the General and Administrative Regulations Subpart X--Interpretations of Statutory and Regulatory Provisions to provide requestors with information on how to request a final agency determination and locate the interpretation of procedures or policy provisions not codified in the Code of Federal Regulations within one administrative regulation. There are provisions in

policies not codified in the Code of Federal Regulations that are identical to those in the Common Crop Insurance Basic Provisions (Basic Provisions) or Crop Provisions codified in the Code of Federal Regulations. In such instances, the requestor sought an interpretation of the applicable provision in the Basic Provisions and that interpretation was applicable to all policies that contained an identical provision. Nothing in this rule changes this process. However, there are numerous policies with provisions that are not codified in the Code of Federal Regulations in any policy. For these policy provisions, this rule provides a mechanism to obtain an interpretation of such provision. The proposed regulations also incorporate the information formerly contained in Manager's Bulletin MGR-05-018 into subpart X for efficiency and ease of use. Manager's Bulletin MGR-05-018 currently provides criteria for requesting an interpretation of procedures when a requestor seeks an interpretation of the meaning or applicability of procedure used in administering the Federal crop insurance program. **80 Fed. Reg. 14030 (March 18, 2015).**

### FEDERAL ESTATE AND GIFT TAXATION

**GENERATION SKIPPING TRANSFER TAX.** Two irrevocable trusts were formed by a husband and wife prior to September 25, 1985 and each trust owned a parcel of contiguous farmland. The current beneficiaries were descendants of the grantors of the trusts. The two parcels were acquired at different times and one was landlocked by the other parcel. The trustees of the two trusts decided to sell the two parcels as one unit to avoid having to sell one parcel as land locked. The land was purchased by a limited partnership owned by a lineal descendant of the original grantors and was trustee of one of the trusts and a contingent beneficiary of the other trust. The sale was negotiated by attorneys for the trusts and buyer. The IRS ruled that the sale of the farmland did not subject the trusts to GSTT because the sale did not change any of the beneficial interests in the trust and the sale was made at arm's length. **Ltr. Rul. 201510009 through 201510016, Oct. 16, 2014; 201511002 through 201511010, Oct. 16, 2014.**

**GIFTS.** The taxpayer created an irrevocable trust for the benefit

of the taxpayer, the taxpayer's issue, the taxpayer's spouse and three other individuals. The trust provided for a "Power of Appointment Committee" (the Committee) which, along with the taxpayer had the power to distribute trust income and principal. On the taxpayer's death, the remaining trust property passed as appointed by the taxpayer to persons other than the taxpayer, the taxpayer's estate, the taxpayer's creditors or the estate's creditors. The Committee consisted of the grantor and several beneficiaries. The IRS ruled that contributions to the trust by the taxpayer and distributions by the trust to the taxpayer were not completed gifts. The IRS also ruled that the trust property would be included in the taxpayer's gross estate. The IRS ruled that distributions made by direction of the Committee were not gifts made by the individual committee members and such distributions, other than to the taxpayer, were not completed gifts by the taxpayer. **Ltr. Rul. 201510001 through 20151008, Oct. 10, 2014.**

## FEDERAL INCOME TAXATION

**ADDITIONAL MEDICARE TAX.** The IRS has published information about the additional Medicare tax. *Tax Rate.* The Additional Medicare Tax rate is 0.9 percent. *Income Subject to Tax.* The tax applies to the amount of certain income that is more than a threshold amount. The types of income subject to the tax include Medicare wages, self-employment income and railroad retirement (RRTA) compensation. Taxpayers must combine wages and self-employment income to figure the tax but should not include a loss from self-employment purposes of this tax. Taxpayers compare RRTA compensation separately to the threshold. See the instructions for Form 8959, *Additional Medicare Tax*, for more on these rules. *Threshold Amount.* The threshold amount is based on the filing status. If a taxpayer is married and files a joint return, the taxpayers must combine the spouse's wages, compensation, or self-employment income with the taxpayer's. Use the combined total to determine if income exceeds the threshold. The threshold amounts are:

Filing Status	Threshold Amount
Married filing jointly	\$250,000
Married filing separately	\$125,000
Single	\$200,000
Head of household	\$200,000
Qualifying widow(er) with dependent child	\$200,000

*Withholding/Estimated Tax.* Employers must withhold this tax from taxpayers' wages or compensation when they pay taxpayers more than \$200,000 in a calendar year. If the taxpayer is self-employed, the taxpayer should include this tax when figuring the estimated tax liability. If a taxpayer owes this tax, the taxpayer must file Form 8959 with the tax return. Taxpayers also report any Additional Medicare Tax withheld by an employer on Form 8959. **IRS Tax Tip 2015-41.**

**BUSINESS EXPENSES.** The taxpayer was a long-haul truck driver who claimed unreimbursed travel expenses for the purchase of truck stop electricity to power the truck during rest stops. The electrical service was used to allow the truck to be powered without running the truck engine and the court found that the electricity replaced the use of fuel for this purpose. The court held that the deduction would be allowed as an unreimbursed employee business expense. The court also held that, because the electricity was used to power the truck, the taxpayer was not required to provide the higher substantiation requirements for listed property under I.R.C. § 274. The taxpayer provided detailed receipts for payment for the electricity which matched the taxpayer's travel logs; therefore, the court held that the taxpayer provided sufficient proof of the expenses and was entitled to the deduction. The taxpayer did not own a residence and was traveling 358 days in the tax year. The taxpayer stayed at the taxpayer's mother's residence for three days and hotels for the other four days. The taxpayer stored personal property at a rented storage unit. The court found that the taxpayer did not have a "tax home;" therefore, the taxpayer could not claim any travel expenses. **Howard v. Comm'r, T.C. Memo. 2015-38.**

**CONSERVATION EASEMENTS.** The taxpayer owned a 22 acre property and granted a conservation easement on the property, restricting the development of the land in perpetuity. The easement grant allowed the taxpayer to make changes in the actual boundaries of the area covered by the easement, although subject to several conditions, including prohibiting any increase or reduction in the total number of acres and limiting any such change to no more than 5 percent of the total land. The IRS denied a charitable deduction for the value of the grant of easement because the grant did not set the boundaries of the property in perpetuity. The court cited *Belk v. Comm'r, 140 T.C. 1 (2013)* for the rule that the property subject to the easement cannot be changed; therefore, the ability of the taxpayer to alter the boundaries of the land subject to the easement failed to meet requirement in I.R.C. § 170(h)(2)(C) that the grant of the easement be in perpetuity. **Balsam Mountain Investments, LLC v. Comm'r, T.C. Memo. 2015-43.**

**CHILD TAX CREDIT.** The taxpayers, husband and wife, were the parents of a disabled child who was 20 and 21 years of age for the two tax years involved. The taxpayers claimed a child tax credit based on the child but the IRS denied the credit because the child was over age 17 in the tax years involved. The court acknowledged that, while the definition of qualifying child under I.R.C. § 24 used the definition under I.R.C. § 152 for purposes of the dependent deduction, the court held that I.R.C. § 24(c)(1) added the requirement that the child must be less than 17 years old in order to be a qualifying child for purposes of the child tax credit. Therefore, the court held that the taxpayers were not entitled to the child tax credit for the tax years in which the child was 20 and 21 years old. **Polsky v. Werfel, 2015-1 U.S. Tax Cas. (CCH) ¶ 50,229 (E.D. Penn. 2015).**

**EARNED INCOME TAX CREDIT.** The taxpayer claimed a brother, age 15 and a niece, age four, as qualifying dependents to support a claim for the earned income tax credit. The brother

lived in the same apartment as the taxpayer but the niece lived in another apartment in the same building. The taxpayer filed using the single filing status. Under I.R.C. § 32(b)(2), an unmarried individual filing under the single status must have two qualifying children in order to be eligible for the earned income tax credit. The court held that the niece was not a qualifying child of the taxpayer because the niece did not live with the taxpayer during the tax year. Therefore, the taxpayer was not entitled to the earned income tax credit. **Abdi v. Comm'r, T.C. Memo. 2015-41.**

**FIRST TIME HOMEBUYER CREDIT.** In 2007 the taxpayer entered into a lease of a house and executed a option contract to purchase the house at a later date. The taxpayer paid an option fee and made extra monthly payments which were to be applied to the purchase price when the option was exercised. However, the option was not exercised and the taxpayer never obtained title to the property. Nonetheless, the taxpayer claimed the first time homebuyer credit for 2007. The court held that, because the taxpayer never obtained title to the home and an option did not give rise to an equitable interest in the home under Florida law, the credit was not allowed. **Pittman v. Comm'r, T.C. Memo. 2015-44.**

**HEALTH INSURANCE.** The IRS has published information about the individual shared responsibility provision of the Affordable Care Act. The individual shared responsibility provision requires that a taxpayer and each member of the taxpayer's family have qualifying health insurance, a health coverage exemption, or make a payment when the taxpayer files an income tax return. If the taxpayer, spouse and dependents had health insurance coverage all year, the taxpayer will indicate this by simply checking a box on the tax return. Starting in 2014 the individual shared responsibility provision calls for each individual to have qualifying health care coverage – known as minimum essential coverage – for each month, qualify for an exemption, or make a payment when filing his or her federal income tax return. The provision applies to individuals of all ages, including children. The adult or married couple who can claim a child or another individual as a dependent for federal income tax purposes is responsible for making the payment if the dependent does not have coverage or an exemption. The provision went into effect on Jan. 1, 2014. It applies to each month in the calendar year. *What does the taxpayer need to do if required to make a payment with the tax return?* If a taxpayer has to make an individual shared responsibility payment, the taxpayer will use the worksheets located in the instructions to Form 8965, *Health Coverage Exemptions*, to figure the shared responsibility payment amount due. The amount due is reported on line 61 of Form 1040 in the Other Taxes section, and on the corresponding lines on Form 1040A and 1040EZ. Taxpayers only make a payment for the months they did not have coverage or qualify for a coverage exemption. The IRS routinely works with taxpayers who owe amounts they cannot afford to pay. The law prohibits the IRS from using liens or levies to collect any individual shared responsibility payment. However, if a taxpayer owes a shared responsibility payment, the IRS may offset that liability against any tax refund that may be due. **Health Care**

#### Tax Tip HCTT 2015-19.

**HOBBY LOSSES.** The taxpayer, through an S corporation, started a Tennessee Walking Horse breeding activity in 1992 and claimed losses in 2003, 2004 and 2005 which were disallowed by the IRS. The court held that the activity was not engaged in with the intent to make a profit because (1) the taxpayer did not keep sufficient financial records to assess the profitability of the activity or to change the activity to make it profitable; (2) the taxpayer made few changes in the activity in order to make the activity profitable; (3) although the taxpayer was personally knowledgeable and hired experts on the horses, the taxpayer did not have expertise or seek experts as to the business of breeding horses; (4) the taxpayer had no experience in changing an unprofitable business to profitability; (5) the activity had losses in all years except one in which a modest profit was achieved; (6) the losses offset substantial income from other sources; and (7) the taxpayer received significant personal pleasure from showing and riding the horses. *Estate of Stuller v. United States*, 2014-2 U.S. Tax Cas. (CCH) ¶ 50,379 (C.D. Ill. 2014). The individual taxpayer, a shareholder of the corporation, received rental payments for the corporation's use of the farm. The rent was included on the taxpayer's individual tax return as taxable income. After the above case was decided, the taxpayer filed for a refund based on the claim that because the corporation's deductions for the rent expense were disallowed, the same rent should not be included in the taxpayer's individual income. The court held that the taxpayer could not change the character of the rental income after an adverse court ruling because allowing such a change would remove the incentive to file an accurate return. **Estate of Stuller v. United States, 2015-1 U.S. Tax Cas. (CCH) ¶ 50,224 (C.D. Ill. 2015).**

**HOME OFFICE.** The taxpayer was medical ultrasound technician who provided service through a sole proprietorship for a medical clinic. Although the taxpayer had started preparations for a home office to treat patients, no patients were treated in the home during the tax years involved. The taxpayer claimed Schedule C deductions for business use of the home, meals taken while at the clinic and mileage expenses for travel from the home to the clinic. The court found that the taxpayer did not make any exclusive use of a portion of the home for business purposes during the tax years involved; therefore, the home office deductions were not allowed. Because the taxpayer did not have a home office, the travel to and from the clinic was commuting from home to work, and the travel expenses were also not allowed as business deductions. Similarly the deductions for the cost of the meals were not allowed because they were not incurred while the taxpayer was away from the taxpayer's tax home, the medical clinic. **Savulionis v. Comm'r, T.C. Summary Op. 2015-19.**

**IRA.** The IRS has issued a reminder that taxpayers who turned 70½ during 2014 in most cases they must start receiving required minimum distributions (RMDs) from Individual Retirement Accounts (IRAs) and workplace retirement plans by Wednesday, April 1, 2015. The April 1 deadline applies to owners of traditional IRAs but not Roth IRAs. Normally, it also applies to participants



in various workplace retirement plans, including 401(k), 403(b) and 457 plans. The April 1 deadline only applies to the required distribution for the first year. For all subsequent years, the RMD must be made by Dec. 31. So, a taxpayer who turned 70½ in 2014 and receives the first required payment on April 1, 2015, for example, must still receive the second RMD by Dec. 31, 2015. Affected taxpayers who turned 70½ during 2014 must figure the RMD for the first year using the life expectancy as of their birthday in 2014 and their account balance on Dec. 31, 2013. The trustee reports the year-end account value to the IRA owner on Form 5498 in Box 5. Worksheets and life expectancy tables for making this computation can be found in the Appendices to Publication 590-B. Most taxpayers use Table III (Uniform Lifetime) to figure their RMD. For a taxpayer who reached age 70½ in 2014 and turned 71 before the end of the year, for example, the first required distribution would be based on a distribution period of 26.5 years. A separate table, Table II, applies to a taxpayer married to a spouse who is more than 10 years younger and is the taxpayer's only beneficiary. **IR-2015-55.**

The taxpayer owned an IRA held by an entity and was receiving substantially equal monthly payments from the IRA. The entity was acquired by another company and transferred the taxpayer's IRA to the accounts of the new company. During the transfer, the new company failed to stop the distributions from the old account before beginning distributions from the new account, resulting in distributions in excess of the required monthly amount. The IRS ruled that the extra distributions were not a modification of the periodic payments and were not subject to the 10 percent additional tax on early distributions under I.R.C. § 72(t)(1). **Ltr. Rul. 201510060, Dec. 9, 2014.**

**IRS PUBLICATIONS.** The IRS has published online a revised audit technique guide, *Real Estate Property Foreclosure and Cancellation of Debt ATG*. <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Real-Estate-Property-Foreclosure-and-Cancellation-of-Debt-ATG>

**INVESTMENT INCOME.** The IRS has published information on taxation of children who receive investment income. (1) *Investment Income.* Investment income generally includes interest, dividends and capital gains. It also includes other unearned income, such as from a trust. (2) *Parent's Tax Rate.* If a child's total investment income is more than \$2,000 then the parents' tax rate may apply to part of that income instead of the child's tax rate. See the instructions for Form 8615, *Tax for Certain Children Who Have Unearned Income*. (3) *Parent's Return.* Parents may be able to include on their tax return their child's investment income if it was less than \$10,000 for the year. If the parents make this choice, then the child will not have to file a return. See Form 8814, *Parents' Election to Report Child's Interest and Dividends*. (4) *Child's Return.* If the child's investment income was \$10,000 or more in 2014 then the child must file their own return. File Form 8615 with the child's federal tax return. (5) *Net Investment Income Tax.* A child may be subject to the Net Investment Income Tax if they must file Form 8615. Use Form 8960, *Net Investment Income Tax*, to figure this tax. Refer to IRS Publication 929, *Tax Rules for Children and Dependents*,

for complete details on this topic. **IRS Tax Tip 2015-43.**

**PENSION PLANS.** For plans beginning in March 2015 for purposes of determining the full funding limitation under I.R.C. § 412(c)(7), the 30-year Treasury securities annual interest rate for this period is 2.57 percent. The 30-year Treasury weighted average is 3.27 percent, and the 90 percent to 105 percent permissible range is 2.94 percent to 3.44 percent. The 24-month average corporate bond segment rates for March 2015, without adjustment by the 25-year average segment rates are: 1.25 percent for the first segment; 4.08 percent for the second segment; and 5.15 percent for the third segment. The 24-month average corporate bond segment rates for March 2015, taking into account the 25-year average segment rates, are: 4.72 percent for the first segment; 6.11 percent for the second segment; and 6.81 percent for the third segment. **Notice 2015-24, I.R.B. 2015-13.**

**QUARTERLY INTEREST RATE.** The IRS has announced that, for the period April 1, 2015 through June 30, 2015, the interest rate paid on tax overpayments remains at 3 percent (2 percent in the case of a corporation) and for underpayments remains at 3 percent. The interest rate for underpayments by large corporations remains at 5 percent. The overpayment rate for the portion of a corporate overpayment exceeding \$10,000 remains at 0.5 percent. **Rev. Rul. 2015-5, I.R.B. 2015-13.**

**RETURNS.** The IRS has published information for taxpayers who receive requests from the IRS to verify their identities. The Identity Verification Service website, [idverify.irs.gov](http://idverify.irs.gov), offers the fastest, easiest way to complete the task. Taxpayers may receive a letter when the IRS stops suspicious tax returns that have indications of being identity theft but contain a real taxpayer's name and/or Social Security number. Only those taxpayers receiving Letter 5071C should access [idverify.irs.gov](http://idverify.irs.gov). The website will ask a series of questions that only the real taxpayer can answer. Once the identity is verified, the taxpayers can confirm whether or not they filed the return in question. If they did not file the return, the IRS can take steps at that time to assist them. If they did file the return, it will take approximately six weeks to process it and issue a refund. Letter 5071C is mailed through the U.S. Postal Service to the address on the return. It asks taxpayers to verify their identities in order for the IRS to complete processing of the returns if the taxpayers did file it or reject the returns if the taxpayers did not file it. The IRS does not request such information via e-mail, nor will the IRS call a taxpayer directly to ask this information without you receiving a letter first. The letter number can be found in the upper corner of the page. The letter gives taxpayers two options to contact the IRS and confirm whether or not they filed the return. Taxpayers may use the [idverify.irs.gov](http://idverify.irs.gov) site or call a toll-free number on the letter. Because of the high-volume on the toll-free numbers, the IRS-sponsored website, [idverify.irs.gov](http://idverify.irs.gov), is the safest, fastest option for taxpayers with web access. Taxpayers should have available their prior year tax return and their current year tax return, if they filed one, including supporting documents, such as Forms W-2 and 1099 and Schedules A and C. Taxpayers also may access [idverify.irs.gov](http://idverify.irs.gov) through [www.irs.gov](http://www.irs.gov) by going to Understanding Your 5071C Letter or the Understanding Your

IRS Notice or Letter page. The tool is also available in Spanish. Taxpayers should always be aware of tax scams, efforts to solicit personally identifiable information and IRS impersonations. However, [idverify.irs.gov](http://idverify.irs.gov) is a secure, IRS-supported site that allows taxpayers to verify their identities quickly and safely. **IR-2015-54.**

### SAFE HARBOR INTEREST RATES

#### April 2015

	Annual	Semi-annual	Quarterly	Monthly
<b>Short-term</b>				
<b>AFR</b>	0.48	0.48	0.48	0.48
110 percent AFR	0.53	0.53	0.53	0.53
120 percent AFR	0.58	0.58	0.58	0.58
<b>Mid-term</b>				
<b>AFR</b>	1.70	1.69	1.69	1.68
110 percent AFR	1.87	1.86	1.86	1.85
120 percent AFR	2.04	2.03	2.02	2.02
<b>Long-term</b>				
<b>AFR</b>	2.47	2.45	2.44	2.44
110 percent AFR	2.72	2.70	2.69	2.68
120 percent AFR	2.96	2.94	2.93	2.92

**Rev. Rul. 2015-7, I.R.B. 2015-14.**

**STATE TAX REFUND.** The taxpayer owned 50 percent of three pass-through entities, an S corporation and two limited liability companies taxed as partnerships. The entities were eligible for real property tax credits under a state program to encourage business development in certain areas of the state. In 2007, the entities paid state property taxes on the business property and claimed deductions for the taxes, resulting in a pass-through of less income to the taxpayer. The taxpayer applied the state tax credit to the taxpayer's state income tax due for 2007, which resulted in a refund claim. The taxpayer elected to apply the overpayment to the 2008 state estimated taxes. In 2008, the taxpayer did not report the refund of overpayment of state taxes as income on the taxpayer's federal return. The court applied the tax benefit rule to include the 2008 refund in taxable income because the taxpayer had received the benefit of the property tax deduction passed through from the three entities in 2007. **Elbaz v. Comm'r, T.C. Memo. 2015-49.**

The taxpayer owned two pass-through entities which received tax "credits" from state targeted development programs. The first program provided investment and wage credits which reduced the state tax owed by the taxpayer and provided a refund if the credits exceeded the state taxes owed. The court held that the refund from the first program was not taxable to the extent the credits reduced the state tax liability but were taxable at the federal level to the extent the credits created a refund. The other program, similar to the one in *Elbaz supra*, provided a refund of property taxes paid but was limited to the amount of property taxes paid. The taxpayer received a pass-through deduction for property taxes paid by the entities in the first tax year and received the refund of the taxes in the second year by applying them to the following year taxes. The court held, as it did in *Elbaz supra*, that the tax benefit rule applied to include the property tax refund as federal taxable income in the year to the extent of the property tax deductions taken in the previous year. **Maines v. Comm'r, 144 T.C. No. 8 (2015).**

**THEFT LOSS.** The taxpayer was a victim of investment Ponzi scheme. A government agency had filed a civil complaint against

the leading figures and their companies in the fraud. One of the leading figures died in one year prior to the filing of a criminal indictment and a receiver was appointed to control the decedent's assets. In the following year, criminal complaints were filed against the other leading figures. In a Chief Counsel Advice letter, the IRS ruled that *Rev. Proc. 2011-58, 2011-2 C.B. 849* applied to provide that the theft loss from the Ponzi scheme was deductible in the year the civil complaint was filed because the lead figure died before a criminal complaint could be filed and a receiver was appointed. **CCA 201511018, Nov. 20, 2014.**

## FARM ESTATE AND BUSINESS PLANNING

by Neil E. Harl

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## AGRICULTURAL TAX SEMINARS

by Neil E. Harl

See the back page for information about these seminars. Here are the cities and dates for the seminars this spring and summer 2015:

**April 28-29, 2015** - Doubletree, Springfield, MO

**May 4-5, 2015** - Quality Inn, Grand Island, NE

**May 28-29, 2015** - Plaza Event Center, Longmont, CO

**June 16-17, 2015** - Eastland Suites, Bloomington, IL

**June 18-19, 2015** - Holiday Inn, Indianapolis, IN

**August 24-25, 2015** - Holiday Inn, Council Bluffs, IA

**August 27-28, 2015** - Quality Inn, Ames, IA

**September 14 & 15, 2015** - Courtyard Hotel, Moorhead, MN

**September 17 & 18, 2015** - Ramkota Hotel, Sioux Falls, SD

Each seminar will be structured the same as described on the back cover of this issue. More information will be posted on [www.agrilawpress.com](http://www.agrilawpress.com) and in future issues of the *Digest*.



# AGRICULTURAL TAX SEMINARS

by Neil E. Harl

Join us for expert and practical seminars on the essential aspects of agricultural tax law. Gain insight and understanding from one of the country's foremost authorities on agricultural tax law. The seminars will be held on two days from 8:00 am to 5:00 pm. Registrants may attend one or both days. On the first day, Dr. Harl will speak about farm and ranch estate and business planning. On the second day, Dr. Harl will cover farm and ranch income tax. Your registration fee includes written comprehensive annotated seminar materials for the days attended and lunch. A discount (\$25/day) is offered for attendees who elect to receive the manuals in PDF format only (see registration form online for use restrictions on PDF files).

## See Page 55 above for a list of cities and dates for Spring and Summer 2015

The topics include:

### First day

#### FARM ESTATE AND BUSINESS PLANNING

##### New Legislation

##### Succession planning and the importance of fairness

##### The Liquidity Problem

##### Property Held in Co-ownership

- Federal estate tax treatment of joint tenancy
- Severing joint tenancies and resulting basis
- Joint tenancy and probate avoidance
- Joint tenancy ownership of personal property
- Other problems of property ownership

##### Federal Estate Tax

- The gross estate
- Special use valuation
- Property included in the gross estate
- Traps in use of successive life estates
- Basis calculations under uniform basis rules
- Valuing growing crops
- Claiming deductions from the gross estate
- Marital and charitable deductions
- Taxable estate
- The applicable exclusion amount
- Unified estate and gift tax rates
- Portability and the regulations
- Federal estate tax liens
- Undervaluations of property

##### Gifts

- Reunification of gift tax and estate tax
- Gifts of property when debt exceeds basis

##### Use of the Trust

##### The General Partnership

- Small partnership exception
- Eligibility for Section 754 elections

##### Limited Partnerships

##### Limited Liability Companies

- Developments with passive losses

##### Corporate-to-LLC conversions

##### New regulations for LLC and LLP losses

##### Closely Held Corporations

- State anti-corporate farming restrictions
- Developing the capitalization structure
- Tax-free exchanges
- Would incorporation trigger a gift because of severance of land held in joint tenancy?
- "Section 1244" stock
- Status of the corporation as a farmer
- The regular method of income taxation
- The Subchapter S method of taxation, including the "two-year" rule for trust ownership of stock
- Underpayment of wages and salaries
- Financing, Estate Planning Aspects and Dissolution of Corporations
- Corporate stock as a major estate asset
- Valuation discounts
- Dissolution and liquidation
- Reorganization
- Entity Sale
- Stock redemption
- Social Security
- In-kind wages paid to agricultural labor

### Second day

#### FARM INCOME TAX

##### New Legislation

##### Reporting Farm Income

- Constructive receipt of income
- Deferred payment and installment payment arrangements for grain and livestock sales
- Using escrow accounts
- Payments from contract production
- Items purchased for resale
- Items raised for sale
- Leasing land to family entity
- Crop insurance proceeds

##### Weather-related livestock sales

##### Sales of diseased livestock

##### Reporting federal disaster assistance benefits

- Gains and losses from commodity futures, including consequences of exceeding the \$5 million limit

##### Claiming Farm Deductions

- Soil and water conservation expenditures
- Fertilizer deduction election
- Depreciating farm tile lines
- Farm lease deductions
- Prepaid expenses
- Preproductive period expense provisions
- Regular depreciation, expense method depreciation, bonus depreciation
- Repairs and Form 3115; changing from accrual to cash accounting
- Paying rental to a spouse
- Paying wages in kind
- Section 105 plans

##### Sale of Property

- Income in respect of decedent
- Sale of farm residence
- Installment sale including related party rules
- Private annuity
- Self-canceling installment notes
- Sale and gift combined.

##### Like-Kind Exchanges

- Requirements for like-kind exchanges
- "Reverse Starker" exchanges
- What is "like-kind" for realty
- Like-kind guidelines for personal property
- Partitioning property
- Exchanging partnership assets

##### Taxation of Debt

- Turnover of property to creditors
- Discharge of indebtedness
- Taxation in bankruptcy.

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